



State of Utah

DEPARTMENT OF NATURAL RESOURCES
DIVISION OF OIL, GAS AND MINING

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Michael O. Leavitt
Governor

Robert L. Morgan
Executive Director

Lowell P. Braxton
Division Director

August 13, 2002

TO: Lowell P. Braxton, Director

THRU: Mary Ann Wright, Associate Director *MAW*

THRU: Wayne Hedberg, Permit Supervisor *W. Hedberg*

FROM: Lynn Kunzler, Senior Reclamation Specialist *L. Kunzler*

RE: Request for Approval of Form and Amount of Transitional Reclamation Surety, Gold Star Stone, Lone Pine Mine, M/003/050, Box Elder County, Utah

On June 21, 2000, it was discovered that this operation had exceeded the five-acre limit for a small mining operation. A Notice of Non-compliance was issued which required the operator to either immediately reclaim a portion of his operations (to less than five acres), or to permit the operation as a large mining operation. The Division received the Notice of Intention for a large mining operation on March 9, 2001. After much correspondence back and forth, the review was finalized and notice of tentative approval was published on February 21, 2002.

On July 19, 2002, the Division Staff held a conference call with the operator. It was brought to the Division's attention that Gold Star Stone has not been able to acquire the requisite reclamation surety for this site. The operator proposed to begin immediate reclamation of a major portion of the operations, and post a \$10,000.00 Certificate of Deposit as transitional reclamation surety to continue operations on approximately five acres of the current disturbance. On August 6, 2002, the Division inspected the site with the operator and outlined the five-acre area to which the operations will be allowed to continue. Reclamation requirements for the East and North pits were also discussed. The operator plans to have the reclamation work on these areas completed by October 10, 2002.

With completion of the reclamation, the operator will revise his mining operations to include only the South pit. It was estimated that the operation will be 6-7 acres after the reclamation is completed. This \$10,000 transitional surety may have to be adjusted to cover reclamation costs of the revised plan. A final reclamation contract would also be provided at that time.

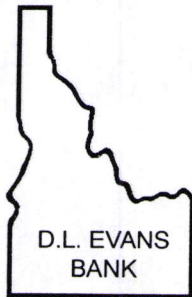
The operator has provided the Division with a Certificate of Deposit #1 issued by D.L. Evans Bank in the amount of \$10,000 as transitional surety until the LMO is finalized. D.L. Evans Bank has provided us with a copy of the CD, the CD cover letter signed by both the operator and the bank, a bank signature card and a document required by the bank to open an account. As directed by the bank, as soon as we sign the enclosed documents and return them, they will forward us the original CD. A transitional Reclamation Contract is forthcoming from the operator, which can later be attached to the original CD when it comes in.

Page 2
Memo to Director
M/003/050
August 13, 2002

If you are in agreement with the acceptance of the transitional reclamation surety please sign and date the documents as marked by the D.L. Evans Bank. Thank you for your consideration of this request. We will then forward the documents to the bank and they, in turn, will send us the original Certificate of Deposit for our files.

jb
Enclosure: CD documents
O:\M003-Box Elder\M0030050 Lone Pine\final\Dir-sign-mem.doc

*Agreed - per terms
outlined above
L/R rec'd 8-16-02*



D.L. EVANS BANK

Your Hometown Community Bank

Attention: Diane Barger, Loan Officer.

Re: Reclamation Surety, Certificate of Deposit of Lone Pine Mine Site, M/003/050,
Box Elder County, Utah. Certificate of Deposit no. Principal Amount
\$10,000.00.

This letter describes the mutually agreed upon instructions of the below signed parties to D.L. Evans Bank, regarding the control, redemption, and release of Bank's above described certificate of deposit (CD), which is being used as a surety to guarantee the availability of reclamation funds for the Lone Pine Mine Site, Box Elder County, Utah (Mine Site). It is the intention of the parties that the CD be utilized as surety to guarantee that \$10,000.00 in reclamation funds will be available to the State of Utah, Division of Oil, Gas & Mining (Division) upon demand in the event that the operator(s) of the Mine Site are unable or unwilling to complete reclamation of the mine site in compliance with state law and regulations (Title 40-8-14 (7), and Rules R647-4-114 & R647-5-101).

Ownership and Renewal:

Ownership of the CD is retained by Gold Star Stone, Inc. an Idaho Corporation, ("Owners"), but it is held by Bank for the benefit of the State of Utah, Division of Oil, Gas & Mining and is subject to the terms and conditions described in this agreement. The CD shall automatically renew indefinitely until either redeemed or released by the Director of the Division.

Redemption:

The CD may only be redeemed (i.e. called on demand), pursuant to the written instruction or demand of the Director of the Utah Division of Oil, Gas & Mining to the Bank. Upon the instruction and demand of the Director, the full initial amount of the CD shall be transferred to the State of Utah, Division of Oil, Gas and Mining. Owners agree and irrevocably instruct Bank that neither the Owner(s), nor any other person claiming an ownership interest in the CD which is derived from the Owners, shall have the authority to prevent the Bank from carrying out the Director's instruction to redeem the CD. Upon redemption, any accrued interest in excess of the initial amount of the CD shall be transferred to Owners' control, or if Owners do not instruct the Bank, the accrued interest shall be reinvested in the CD. If a signature card is prepared, it shall be drafted consistent with the requirement that only the Director of the Division may redeem the CD.

Release:

The bank shall release the CD only upon the written instruction of the Director of the Division to the Bank. Upon release, the terms and conditions of this agreement are no longer in effect, and the unconditioned control of the CD shall be returned to the Owners, or their legal successor-in-interest.

Accrued Interest:

Prior to release or redemption, all interest which accrues by the CD shall be 1) dispersed quarterly to the Owner(s) as the Owner(s) may instruct the Bank, or 2) shall be reinvested in the CD until such time the Owner(s) may instruct the Bank where to transfer such interest. In no event shall the Bank transfer any amount from the CD which would cause the redemption amount of the CD to be less than the initial amount, \$10,000.00. All tax liabilities for accrued interest shall remain the responsibility of the Owners.

Bank will not be held liable for any dispute between the parties.

Agreed Upon By:

Lowell P Braxton

Date: 8-16-02

Lowell P Braxton, Director
Utah Division of Oil, Gas & Mining

Gold Star Stone Inc. by Barry Petersen

Date: Aug. 7, 2002

Gold Star Stone, Inc.
By Barry Petersen, President
Tax ID Number: _____

Diane Barger

Date: 8-5-02

Diane Barger, Loan Officer

This Certificate Evidences A Deposit In The Name(s) Of: STATE OF UTAH, DIVISION OF OIL, GAS & MINING FBO: GOLD STAR STONE, INC. 160 E COTTONWOOD/PO BOX 62 OAKLEY, ID 83336

Certificate Number 2401

SSN/TIN

D/O/B

Account Number

Date July 15, 2002

In The Amount Of Ten thousand and no/100* * * * * dollars \$ 10,000.00

ACCOUNT TYPE AND TERMS - Only the boxes that are checked and the lines that are filled in apply.

Term (Initial) 12 months ☐ Day Minimum Notice ☐ Single Maturity ☒ Automatically Renewable
Maturity Date (First) 07/15/2003 ☒ Fixed Rate ☐ Min. Balance Req \$
Interest Rate (Initial) 2.480 % ☐ Variable Rate: Initial Index Rate % Maximum Rate %
Compounded quarterly Minimum Rate % First Adjustment Date
Interest Calculated actual/365 Adjustment Frequency
No. Endorsements Required For Withdrawal 0 Rate Formula
Interest Paid quarterly
(a) ☒ By adding it to the account balance
(b) ☐ By Deposit To Acct. No.

D. L. EVANS BANK
2281 Overland Ave.
BURLEY, ID 83318 (208) 678-6000

BY Wanda Borge

GENERALLY: "We" and "us" means the financial institution. "You" and "your" means the depositor(s). "Certificate" means both this original instrument as well as the deposit it shows. This certificate (and the account it represents) or minimum notice account may not be transferred or assigned without our prior written consent and is not negotiable.

VARIABLE INTEREST RATE: Your deposit will earn interest at the initial interest rate stated on this certificate to the first adjustment date. Then, and on each succeeding adjustment date, the rate this certificate will earn is subject to be increased or decreased according to the formula described on this certificate. The rate will remain the same between interest adjustment dates.

If the "first adjustment date" is phrased in terms of "index change" this means the first adjustment date and the rate adjustment frequency after the first adjustment date are not regularly scheduled. In this case, the rate this certificate will earn will be adjusted any time the "index" changes.

The interest rate we will pay on this certificate will not, however, be greater than the stated maximum rate (if any) or be less than the stated minimum rate (if any) regardless of changes in the index rate.

COMPOUNDING: The compounding frequency and interest calculation method will not change during the term of the certificate, regardless of adjustments to the interest rate, until we give reasonable notice to you of such change.

DEFINED DAY MINIMUM NOTICE ACCOUNT: If we have specified a number of days and checked the minimum notice box, then this account has no definite maturity date. To withdraw all or any portion of the account balance without penalty, you must give us (and we must actually receive) notice of your intention to withdraw funds from this account. This notice period must be equal to the minimum number of days stated above. Your notice may be in writing or by such other means as we may permit, and must specify the amount and date of

intended withdrawal. Interest ☐ will ☐ will no longer accrue after the withdrawal date specified in your notice, on that portion of the account balance then available for withdrawal.

If any withdrawal reduces the account balance below the "minimum balance required," the remaining balance in the account will earn interest at the annual rate of % until the account balance again equals or exceeds the "minimum balance required."

☐ **Additions:** If checked, you may make additions to this account in an amount equal to or greater than \$ at any time.

☐ **Additions To Minimum Notice Accounts:** An addition to a minimum notice account will not be permitted if at the time of the proposed addition, a request for withdrawal is pending which would, within the minimum notice period following the proposed addition, reduce the account balance below the minimum balance required. If this account has a minimum notice of at least

seven and not more than days, additional deposits must remain in this account for a period equal to at least the notice period before such funds may be withdrawn without the imposition of an early withdrawal penalty.

We may terminate this account by written notice to you of our intention to do so, mailed (or otherwise delivered in person) not less than days before the termination date, and no interest will accrue after the termination date.

SINGLE MATURITY: If the single maturity box is checked, the depositor should present this certificate promptly at maturity for payment. Interest ☐ will ☐ will not accrue after maturity.

AUTOMATIC RENEWALS: If the automatic renewal box is checked, this certificate will be automatically renewed after the stated maturity date stated for successive terms, each equal to the original term. The interest rate will be the same we offer on new certificates on the maturity date which have the same term, minimum balance (if any) and other features as this original certificate. The depositor may call us on or shortly before the maturity date and we will tell the depositor what the interest rate will be for the next renewal term.

The automatic renewal of this certificate may be prevented if one of the following things happens:

- (1) This certificate is personally presented for payment on a maturity date or within 10 days after the maturity date; or
- (2) We receive written notice from the depositor before a maturity date of their intention to cash in this certificate.

Your deposit ☐ will ☒ will not earn interest after final maturity.

Endorsements (Sign only when requesting withdrawal):

x
x

☐ **Additions to Single Maturity and Automatically Renewable Accounts** (check one):

☐ Your addition must remain on deposit for a period of time which is not less than the original term of this certificate. This means that your next (and each succeeding) maturity date will be the date which follows the date of the addition by a period of time equal to the original term of this account.

☐ Your addition must remain on deposit for a period of time which is not less than the original term of this certificate. This means that the first (but not succeeding) maturity date for the addition will be the second regularly scheduled maturity date following the date of the addition. Thereafter, all funds on deposit for the period of time equal to at least the original term will have the same maturity date.

☐ Your addition will not extend the maturity of all, or any portion, of the funds on deposit. Additions will earn interest from the date of deposit, and will mature at the same time as the first deposit.

D. L. EVANS BANK
2281 Overland Ave.
BURLEY, ID 83318
(208) 678-6000

OWNERSHIP OF ACCOUNT - CONSUMER PURPOSE

- ☐ INDIVIDUAL ☐ _____
☐ JOINT - WITH SURVIVORSHIP (and not as tenants in common or community property)
☐ JOINT - NO SURVIVORSHIP (as tenants in common)
☐ COMMUNITY PROPERTY ACCOUNT
☐ TRUST - SEPARATE AGREEMENT: _____

☐ REVOCABLE TRUST OR ☐ PAY-ON-DEATH

DESIGNATION AS DEFINED IN THIS AGREEMENT

Name and Address of Beneficiaries: _____

OWNERSHIP OF ACCOUNT - BUSINESS PURPOSE

- ☐ SOLE PROPRIETORSHIP
☒ CORPORATION: ☒ FOR PROFIT ☐ NOT FOR PROFIT
☐ PARTNERSHIP
☐ _____

BUSINESS: _____

COUNTY & STATE
OF ORGANIZATION: _____

AUTHORIZATION DATED: _____

DATE OPENED July 15, 2002 BY Jana Taylor

INITIAL DEPOSIT \$ 10,000.00

☐ CASH ☐ CHECK ☒ TRANSFER

HOME TELEPHONE # _____

BUSINESS PHONE # _____

DRIVER'S LICENSE # _____

E-MAIL _____

EMPLOYER _____

MOTHER'S MAIDEN NAME _____

Name and address of someone who will always know your location: _____

BACKUP WITHHOLDING CERTIFICATIONS

TIN: ~~XXXXXXXXXX~~

☒ TAXPAYER I.D. NUMBER - The Taxpayer Identification Number shown above (TIN) is my correct taxpayer identification number.

☒ BACKUP WITHHOLDING - I am not subject to backup withholding either because I have not been notified that I am subject to backup withholding as a result of a failure to report all interest or dividends, or the Internal Revenue Service has notified me that I am no longer subject to backup withholding.

☐ EXEMPT RECIPIENTS - I am an exempt recipient under the Internal Revenue Service Regulations.

SIGNATURE: I certify under penalties of perjury the statements checked in this section and that I am a U.S. person (including a U.S. resident alien).

X _____

(Date)

**ACCOUNT
NUMBER**

ACCOUNT OWNER(S) NAME & ADDRESS

STATE OF UTAH, DIVISION OF
OIL, GAS & MINING
FBO: GOLD STAR STONE, INC.
160 E COTTONWOOD/PO BOX 62
OAKLEY, ID 83336

☒ NEW ☐ EXISTING
TYPE OF ☐ CHECKING ☐ SAVINGS
ACCOUNT ☐ MONEY MARKET ☒ CERTIFICATE OF DEPOSIT
☐ NOW ☐ _____

This is your (check one): TCD-Business 3 to 12
Months
☒ Permanent ☐ Temporary account agreement.

Number of signatures required for withdrawal 1

FACSIMILE SIGNATURE(S) ALLOWED? ☐ YES ☒ NO

[X]

SIGNATURE(S) - The undersigned agree to the terms stated on every page of this form and acknowledge receipt of a completed copy. The undersigned further authorize the financial institution to verify credit and employment history and/or have a credit reporting agency prepare a credit report on the undersigned, as individuals. The undersigned also acknowledge the receipt of a copy and agree to the terms of the following disclosure(s):

- ☐ Deposit Account ☐ Funds Availability ☐ Privacy
☐ Electronic Funds Transfer ☐ Truth in Savings
☐ _____

(1): [X] Lowell P Braxton
LOWELL P. BRAXTON
Director of DOB
I.D. # _____ D.O.B. _____

(2): [X]
I.D. # _____ D.O.B. _____

(3): [X]
I.D. # _____ D.O.B. _____

(4): [X]
I.D. # _____ D.O.B. _____

☐ Authorized Signer (Individual Accounts Only)

[X]
I.D. # _____ D.O.B. _____

Dear Depositor: Your Time Deposit account has a maturity date (or requires a minimum notice before any withdrawal). Except as mentioned below, you cannot withdraw any principal from this account before the maturity date (or on less than the minimum notice) without our consent, and we will charge a penalty for early withdrawal. We can only consent to an early withdrawal at the time you request it. The penalty will be an amount equal to:

☐ the greatest of: (1) all the interest earned on the amount withdrawn from the most recent of the date of deposit, date of maturity, or date on which notice was given; or (2) all interest that could have been earned on the amount withdrawn during a period equal to one-half the maturity period or required notice period; or (3) seven days' interest on the amount withdrawn.

☒ one month's interest on the amount withdrawn.

☐ three months' interest on the amount withdrawn.

☐

EXCEPTIONS: We are permitted to allow an early withdrawal and waive the above penalty if:

- (1) any account owner dies or is declared incompetent, or
- (2) this is an I.R.A. or Keogh account and you are at least 59½ years of age or disabled at the time of the withdrawal request, or
- (3) this is an I.R.A. or Keogh account and the request for withdrawal is made within seven days of establishing the account. (The penalty in such case will be all interest earned on the amount withdrawn.)

Depositor's
Acknowledgment
of Receipt

Date

© BANKERS SYSTEMS, INC., 1983 ST. CLOUD, MN 56301 (1-800-397-2341) FORM DPN 12/15/88

We will charge the penalty first against the interest remaining in the account at the time of the withdrawal, and any excess will be deducted from the amount you withdraw.

CALCULATION: Fixed Rate Time Deposits: For a time deposit which earns a fixed rate during the entire term, we will use the nominal (simple interest) rate in effect to calculate the amount of the applicable penalty.

Variable Rate Time Deposits: For a time deposit which earns a rate that may vary from time to time during the term, we will calculate the amount of the applicable penalty by using:

☐ the average of the simple interest rates paid on the account from the date of deposit (or last renewal) to the date of withdrawal (weighted for time).

☐ the simple interest rate in effect at the time the account was opened (or last renewed).

☐ the simple interest rate in effect at the time the withdrawal is permitted.

Minimum Balance Accounts: For any time deposit account (fixed or variable rate) which requires a minimum initial deposit or a minimum balance, we reserve the right to treat any withdrawal which would reduce the balance remaining in the account below such minimum as a withdrawal of the entire account balance, and calculate the amount of the penalty accordingly. This right is in addition to any other conditions stated in the deposit agreement.

D. L. EVANS BANK
2281 Overland Ave.
BURLEY, ID 83318
(208) 678-6000

... AUTHORITY OF LODGE, ASSOCIATION OR OTHER SIMILAR ORGANIZATION TO OPEN AN ACCOUNT

NON PROFIT [] (CHECK ONE BOX) PROFIT ☒ TAX # _____

TO D. L. EVANS BANK

CITY _____

So. Parkway BRANCH

DATE _____

AT A REGULAR MEETING OF THE State of Utah, Division of Oil, Gas & Mining
(LODGE, ASSOCIATION OR ORGANIZATION NAME)

HELD ON THE 6 DAY OF Aug, 19 2002 AT WHICH A QUORUM WAS PRESENT, THE FOLLOWING OFFICERS WERE DULY ELECTED FOR THE ENSUING YEAR UNTIL THEIR SUCCESSORS SHALL BE ELECTED.

NAME	TITLE	SPECIMEN SIGNATURE
<u>Lowell P Braxton</u>	<u>Director, Oil, Gas & Mining</u>	<u>Lowell P Braxton</u>
_____	_____	_____
_____	_____	_____
_____	_____	_____

UNDER THE RULES OF THE _____ ANY FUNDS DEPOSITED TO ITS CREDIT WITH THE D. L. EVANS BANK MAY BE WITHDRAWN BY ONE ☒ C (CHECK ONE BOX) TWO [] OF THE ABOVE SIGNERS WHO ARE AUTHORIZED TO ENDORSE AND SIGN CHECKS, DRAFTS, AND ORDERS FOR THE PAYMENT OF MONEY, IN ACCORDANCE WITH SIGNATURE CARDS ACCOMPANYING THIS AUTHORIZATION.

THIS RESOLUTION SHALL CONTINUE TO HAVE EFFECT UNTIL EXPRESS WRITTEN NOTICE OF ITS RESCISSION OR MODIFICATION HAS BEEN RECEIVED BY THIS FINANCIAL INSTITUTION

SECRETARY

APPROVED

TO BE SIGNED BY RETIRING OFFICERS